

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6171**

**BILL NUMBER:** HB 1472

**DATE PREPARED:** Nov 1, 2000

**BILL AMENDED:**

**SUBJECT:** Property tax deduction for veterans.

**FISCAL ANALYST:** Bob Sigalow

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**FUNDS AFFECTED:**     **GENERAL**  
                              **X DEDICATED**  
                              **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill increases from \$6,000 to \$9,000 the property tax deduction for veterans who are totally disabled or who are at least 62 years of age and partially disabled. It also provides that a veteran is entitled to the deduction if the assessed value of the veteran's property is \$60,000 or less. (Current law requires the assessed value to be \$54,000 or less.) (The introduced version of this bill was prepared by the Commission on Military and Veterans Affairs.)

**Effective Date:** January 1, 2002.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** The State levies a one cent tax rate for State fair and State forestry. Any reduction in the assessed value base will reduce the property tax revenue for these two funds. The revenue reduction is estimated at \$1,300 to \$2,800.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, a \$2,000 assessed value (AV) property tax deduction is available to veterans who were honorably discharged and who are totally disabled or are at least 62 years old with at least a 10% disability. The assessed value of the property may not exceed \$18,000. Because of a change in the definition of assessed value that will take effect with the 2001 payable 2002 tax year, the current deduction will be equal to \$6,000 AV and the property AV limit will be \$54,000. These scheduled changes do not affect final tax bills in any way.

This bill would increase the \$6,000 AV deduction to \$9,000 AV and it would also increase the property value limitation from \$54,000 AV to \$60,000 AV.

Information on veterans' deductions is only available in a form that combines the amount of deductions attributable to disabled veterans, partially disabled veterans, and WWI veterans and their survivors. In CY 2000, for all veterans' deductions, Indiana veterans deducted \$139.1 M in AV. The total amount of the deductions has decreased slightly over the past five years, but has remained steady over the past two years. This analysis will assume that the current total of all veterans' deductions will remain at about \$139 M.

According to the Indiana Department of Veterans' Affairs (IDVA), about 20% of the deduction applications that they certify to the counties are for the disabled veteran deduction affected by this bill. However, not all applications approved by IDVA are approved at the county level because of the property value limitation. For purposes of this analysis, it is assumed that the percentage of deductions attributable to the disabled veterans' deduction falls within a range of 15% to 30% of the total veterans' deductions. This means that a range of \$21 M - \$42 M in AV is assumed to be the current base of the disabled veterans' deduction. Since this bill would take effect in CY 2002, this analysis uses the base amount restated in 2002 terms. For this purpose, the current base AV of the disabled veterans' deduction is estimated to be \$63 M - \$125 M.

The two changes in the bill would each increase the estimated deduction amount. The increase in the individual deduction from \$6,000 to \$9,000 AV would cause a 50% increase. Additionally, the change in the property value limitation from \$54,000 to \$60,000 would result in an estimated increase of 10.9%. The 10.9% estimate is based on Census figures that estimate the number of owner-occupied homes at various home value thresholds. These two increased percentages are then compounded to determine the overall estimated increase under the bill which is 66.4%. Taken together, the two changes would increase the amount of assessed value deducted by an estimated \$42 M to \$83 M.

Additional deductions reduce the assessed value tax base. This causes a shift of the property tax burden from the taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. A \$42 M to \$83 M reduction in assessed value would cause a \$0.0007 to \$0.0014 increase in the statewide average net tax rate in CY 2002. This translates into a property tax shift of about \$1.2 M to \$2.5 M.

Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

**State Agencies Affected:** State Board of Tax Commissioners.

**Local Agencies Affected:** County Auditors.

**Information Sources:** Local Government Database; U.S. Dept. of Commerce, Bureau of the Census.